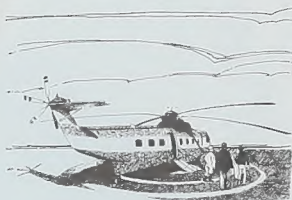
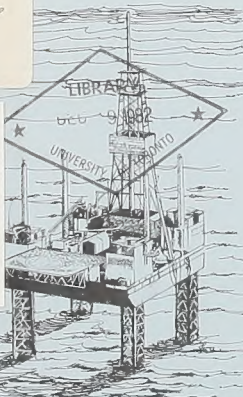


The Canada-Nova Scotia Agreement: a cooperative energy partnership

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On March 2, 1982, the Government of Canada and the Government of Nova Scotia agreed to a cooperative management system for the development of offshore oil and natural gas near Nova Scotia.

The agreement ensures that Nova Scotians will enjoy major benefits from offshore development and that both the environment and the Nova Scotia fishery will be rigorously protected. As well, the needs of oil and gas consumers in Nova Scotia must be met before sales of offshore oil and gas are made to purchasers outside the province.

The Canada-Nova Scotia Offshore Agreement will help the province reduce its need for costly and uncertain supplies of foreign oil. Nova Scotians will have the chance to build a stronger economy, drawing on offshore development and the onshore energy, jobs, and business opportunities that will arise from this development.

The agreement, with a term of at least 42 years, establishes a mechanism for the sharing of revenues from offshore development between industry, the federal government and the provincial government so that development benefits Nova Scotians and all Canadians. In addition a pace of development will be set that reflects the social concerns and cultural heritage of local residents.

How does the agreement work?

The agreement sets up the Canada-Nova Scotia Offshore Oil and Gas Board. This Board will collect royalties from the oil companies, make offshore resource management decisions and direct the activities of the Canada Oil and Gas Lands Administration (or COGLA, as it is known) in the offshore region. COGLA is a federal agency responsible for the control of northern and offshore mineral resource activity in Canada. The agency has opened an office in Halifax for day-to-day administration of oil and gas development in the Nova Scotia offshore.

Who sits on the Canada-Nova Scotia Offshore Oil and Gas Board?

The Board is composed of five members. It is chaired by the Administrator of COGLA. The federal government has appointed two additional civil servants to the Board, and the Government of Nova Scotia has done likewise.

Will Fishermen be protected?

Yes. A joint Canada-Nova Scotia fisheries advisory committee will be set up, including representatives of fishermen and the fishing industry, to advise both governments on offshore oil and gas activity which affects the fishery.

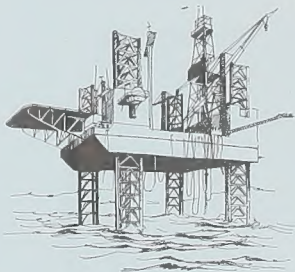
Which level of government sets oil and gas prices?

The wellhead price of offshore oil and gas will be set by the Government of Canada after full consultation with the Government of Nova Scotia.

What about environmental protection?

The agreement calls for a cooperative environmental assessment and review of all offshore activities. This review process will meet the requirements of both governments.

Also, environmental protection is provided under the Canada Oil and Gas Act, and the Production and Oil and Gas Conservation Act. The Canada Oil and Gas Lands Administration (COGLA), in consultation with federal and provincial environment and fisheries experts, assesses the environmental impact of resource development projects, approves all work undertaken and insists on regular inspections of all activities relating to oil and gas exploration, development and production. Companies engaged in exploration and development are required to provide detailed contingency plans outlining the precise response that would be made in the event of a blowout or other mishap. Companies are held liable to correct any environmental damage and they must undertake environmental studies related to their proposed activities and contribute to a special fund to finance regional environmental studies.



What if the federal and provincial board members disagree?

The two Nova Scotia members have rights and powers that the other members do not. For instance, on several key issues they can suspend decisions of the board for up to a year. This right of suspension ensures consideration of specific Nova Scotia concerns, and permits further consultations between the two governments to resolve particular problems. Only after the period of the suspension will the decision in question, with any changes that may have been agreed, become effective.

What happens to revenues collected by the Board?

Most of the revenues go to the provincial government. Nova Scotia will receive all provincial-type oil and gas revenues from offshore exploration and production. These will include the proceeds of:

- the basic federal royalty of 10 per cent on all offshore production;
- The Progressive Incremental Royalty (a federal tax based on the profitability of oil and gas fields);
- revenue equivalent to the provincial corporate and retail sales tax if they were extended to the offshore; and
- bonus payments and net revenue from licence fees.

In addition, until Nova Scotia has reached a significant level of fiscal and economic wealth, it will receive the proceeds of the federal Petroleum and Gas Revenue Tax — something that onshore producing provinces such as Alberta do not receive.

Some estimates indicate that provincial revenues may total \$1.7 billion over the period 1988 to 1992. The federal government's share in the same period will be an estimated \$662 million.

Nova Scotia will continue to receive these revenues until it achieves economic parity with the rest of Canada. Even when Nova Scotia's economic capacity rises to between 110 and 120 per cent of the national average, the province will continue to receive 80 per cent of these additional revenues.

Can Nova Scotia invest in the oil business?

Yes. Under the agreement, Nova Scotia has the right to acquire up to 50 per cent of the Crown share of offshore gas fields and up to 25 per cent of the Crown share of offshore oil fields. As well, the province has an opportunity to acquire up to 50 per cent interest in any oil or natural gas pipeline from the offshore, including extensions within Nova Scotia.



What about jobs and business opportunities?

Industrial benefits and job opportunities for residents of Nova Scotia and all Canadians are key goals for those overseeing the activities of the oil and gas industry. Before companies can begin to work in the Nova Scotia offshore, they must make clear just how the provincial and national economies will benefit. COGLA will work closely with offshore operators to ensure that Nova Scotians and other Canadians get a full and fair chance to the jobs or the business opportunities that will result from the development of the offshore resources.

Which government has authority over Sable Island and Bay of Fundy Oil and Gas?

Complete authority over oil and gas development on Sable Island and in the Bay of Fundy is given to Nova Scotia. The Nova Scotia Minister will sign all oil and gas rights for Sable Island to the low water mark and in the Bay of Fundy. Administration of these areas will be undertaken by COGLA. Also, Nova Scotia will receive all provincial-type resource revenues from Sable Island and its immediate coastal waters (called the island's "footprint") for the duration of the agreement.

When will oil and gas production begin?

The agreement calls for exploration to prove up threshold reserves "without delay" at the Venture natural gas find near Sable Island. Both governments will facilitate this development and they will encourage the operator, Mobil Oil of Canada Ltd., to submit a development plan as soon as possible.

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